

# Update: Federal Construction Funding and Upcoming Deadlines

March 17, 2026

The Virginia Department of Health (VDH), Office of Drinking Water (ODW) is still experiencing delays in receiving federal funding. These delays began during the Federal Government Shutdown and have continued due to uncertainty in the federal budget process.

While much still remains to be worked out, we would like to share the following updates:

- The EPA's federal budget has now been finalized.
- However, EPA has not yet released the funding allocation amounts that determine how much funding VDH will receive and can distribute to drinking water projects.
- EPA has indicated that VDH should expect this information in April 2026.

If VDH receives the allocation details in April as expected, we plan to:

- Send funding offers to successful FY2026 applicants in May 2026
- Send notifications to unsuccessful FY2026 applicants in May 2026

Funding Already Awarded:

- All **SA-HMW "Hurricane Helene"** funding has been awarded.
- All **General Assembly House Bill 1600** funding has been awarded.

Lead Service Line Replacement Projects:

- VDH plans to issue funding offers for **BIL/IIJA Lead Service Line Replacement Projects** in April 2026.
- These projects can move forward because they will be funded using a previous year's EPA allocation that VDH has already received.

FY2027 Funding Solicitation

- The **deadline for this year's funding solicitation is August 7, 2026**, because of the delays in receiving federal funding information.
- VDH intends to provide information about last year's funding decisions *before* applicants need to submit applications for this year.

- The Financial & Construction Assistance Programs (FCAP) **webpages will be updated, and a Virginia Town Hall notice** for the FY2027 solicitation will be posted **by March 31, 2026**.

If you are interested in applying for construction funding, read to the end of this document for important updates.

Thank you for your continued interest in our funding programs. Please contact us with any questions – we’re here to help.

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Financial & Construction Assistance Programs (FCAP)

[Office of Drinking Water](#)

[FCAP Website](#)

**Important Changes – New for FY2027 Construction Applications**

1. **Approved Preliminary Engineering Report (PER)** - The requirement to have an approved, or waived, Preliminary Engineering Report (PER) prior to submitting an application has returned to our program. As such, please submit a copy of the PER and the letter from ODW approving it with the construction application. If the ODW Field Office does not require a PER, then the letter waiving this requirement should be submitted with application. Please work with your ODW Field Office on this.
2. **Preliminary Engineering Conference (PEC)** – Since an approved, or waived, PER is required prior to submitting an application, please contact the ODW Field Office to see if a PEC is required for this project. Documentation of this PEC should be submitted with the construction application – whether this is documentation that a PEC isn’t required or PEC meeting minutes. Please note that the PEC, if required, should be completed at least 30 days prior to the application deadline. There is no longer a requirement to have a Field Office Scope Review Meeting since the PEC, if required, will take its place.
3. **Pre-Requirement for Applicants that have an Existing FCAP Managed Project** - a Pre-Requirement was added to the “Application for Construction Funds” and the “Application for the Lead Elimination Assistance Program (LEAP)” in which the DWSRF Program may not fund new applications if the applicant is behind in achieving significant milestones on an existing FCAP funded project. These

milestones include having the loan closed within 2 years of receiving the original Award Letter from VDH and having the project 100 percent complete/closed out within 4 years of receiving the original Award Letter from VDH. We request that applicants focus efforts on completing open DWSRF projects that have already been awarded. Additional information on this can be found on both the “Application for Construction Funds” and the “Application for the Lead Elimination Assistance Program (LEAP).”

4. **Up-to-Date Annual Audits** - A note was added to the “Application for Construction Funds” and the “Application for the Lead Elimination Assistance Program (LEAP)” in sections that pertain to the annual audits. This note states that an applicant should have a completed financial audit with no significant findings for at least one of the last three years prior to the application deadline. **It also states that if an applicant does not have this, then the applicant may not be eligible to apply for funding.** If this is the case, then please contact VDH’s Capacity Development Team for additional information on this. Please see the link for their contact information: [Capacity Development - Drinking Water](#) .

For water systems that have documented up-to-date financial audits, they will be awarded 4 points on the Project Selection Scorecard under the Readiness to Proceed Section. See the Program Design Manual for a copy of the Project Selection Scorecard.

5. **Lead Service Line Replacement (LSLR) Projects** – VDH does have BIL Lead funding from previous years available (in addition to reallocated funds from other states) for LSLR projects. There is no dollar limit that can be applied for pertaining to LSLR projects; however, the amount applied for needs to be supported with a budget. If the project has documented lead service lines that need to be replaced, then the LSLR project is eligible, and if additional work and associated expenses are needed to finalize the LSL inventory then these costs are also eligible. If an applicant has a current awarded project from VDH for an LSLR project, then a budget must be provided to document that additional funds to replace LSLs, in addition to the current award amount, are still needed. Please note that LSL inventory only projects are still NOT eligible.
6. **Design Build or Other Alternative Delivery Methods** - due to current staff workload, the DWSRF Program cannot accommodate Design Build or alternative project delivery methods this funding cycle. The DWSRF Program will only be funding traditional Design-Bid-Build construction projects this funding cycle.

7. **Disadvantaged Criteria** – the DWSRF Program added back the following Disadvantaged Criteria:

Have a customer demographic where the median household income (MHI) is 80% or less than the state MHI (using US Census Data).

VDH is using the US Census Data (in 2024 dollars), and the MHI for Virginia is \$93,170. 80% of this MHI is **\$74,536**. **As such, if the MHI in the project area that benefits from the proposed project is equal to or less than \$74,536, then the project will be considered Disadvantaged.**

Note that VDH will continue to use the US Census Data in the previous bullet point, even if the data is updated prior to the August 7, 2026, deadline.

As such, this funding cycle, a project application may be considered Disadvantaged based on MHI (see bullet points above) or water rates. To be considered Disadvantaged based on water rates the average monthly residential water user rate must equal to or exceed the target water rate. The target water rate is equal to 1 percent (1%) times the MHI. Then, this figure is divided by 12 to make it a monthly target water rate. See the Program Design Manual for more information on Disadvantaged Criteria.

## **Reminders From Previous Years**

1. **Build America, Buy America (BABA)**– BABA requirements are still in effect for BIL projects and DWSRF equivalent projects. Depending on the project, waivers may be available and will be evaluated on a case-by-case basis. For more information on BABA, please see the EPA’s webpages -<https://www.epa.gov/baba>

To learn more, visit our website: <https://www.vdh.virginia.gov/drinking-water/fcap/>